Report on The Nova Scotia College of Art and Design

Time to Act

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Introduction:

A 125-year tradition of excellence

The Nova Scotia College of Art and Design marks its 125th anniversary beginning in January 2012. With that milestone, NSCAD celebrates a long and distinguished tradition of remarkable contributions to the arts and culture of the province, Canada and beyond. That tradition continues, but now with NSCAD under a cloud of financial instability, its future is threatened.

NSCAD's financial problems are not sudden, new or a surprise. They were evident at least three years ago but persisted and grew. NSCAD today is operating at a loss equal to more than 10 per cent of its annual budget. The situation is not sustainable.

The Government of Nova Scotia has left no doubt that it will do what is necessary to "get back to balance" and expects publicly funded entities in the province to participate fully in the effort.

In the fiscal year 2009-10, the Province provided $4.6 million of special assistance to NSCAD. In 2010-11, a further $1.4 million in addition to NSCAD's annual operating grant was given. As a result of these special grants, NSCAD was able to avoid operating deficits.

In 2010, the Province appointed Dr. Tim O'Neill to examine the university sector in Nova Scotia. In his report, Dr. O'Neill concluded that NSCAD's options had dwindled to just two – a merger between NSCAD and Dalhousie University, or a major internal restructuring, including academic programs, to address the financial challenges at NSCAD.

Early in 2011, the Province asked NSCAD to develop a sustainability plan to address and eliminate its recurring annual deficits.

NSCAD submitted a draft plan to government in July 2011. Essentially, that plan requested on-going special financial assistance from the Province, a commitment to help fund a new facility at or near the Waterfront Campus, in addition to other financial supports.

Given that response, in September 2011, the Province proposed that a Special Advisor be appointed to work with NSCAD to assist them in developing a plan that would enable them to address their financial situation. This report culminates that work.

The Province has committed to a post-secondary fine arts program that is studio based and multidisciplinary in Nova Scotia.

For this commitment to be met, the program must be sustainable and affordable to Nova Scotians.

NSCAD's current year deficit is projected to be $2.4 million[1], on an expenditure base of approximately $21 million. Government's decision to address all or part of this deficit will be dependent on the ability of NSCAD to adopt a plan that will restore financial stability and that demonstrates a serious commitment to its own long term financial viability. This report will assist Government in making that determination.

Consultation:
Broader NSCAD community engaged

While no formal consultation process was initially established as part of this undertaking, the interest of NSCAD students, faculty, alumni and the broader arts and culture community was apparent from the outset. An informal and highly productive consultation with these groups resulted. Meetings were arranged to discuss their concerns and listen to their suggestions about what could be done to ensure NSCAD's future.

Several individuals wrote letters of support and offered recommendations. Thousands of e mails came in to government, again largely in support of NSCAD. The process has raised awareness of the critical fiscal environment at the University and the need for action on the part of the University administration.

In their e mails, letters and personal communications, repeated references were made to NSCAD's unique character, the importance of its independence, its name and its "brand"; the dedication of its faculty, the quality of its students and the critical importance of the "hands on curriculum model" used by the school. Students and faculty underscored that students choose to attend NSCAD because it offers a distinct educational model.

Several other important themes emerged from these sessions, including broad agreement that:

- NSCAD must not just survive but thrive. The uncertainty of the University's future must be addressed not for the short term, but to ensure it is sustainable over time so it can continue to attract students and maintain its enviable reputation.
- Change is needed. The status quo will not work and has proven to be non sustainable.
- Students, faculty and alumni want to play a more significant role in the future of NSCAD. Improved communication between these groups and the University is vital.

[1] Labour negotiations may have reduced this estimate by $200k. However, the university's revenue is also showing some weakness. The $2.4 million continues to be a reasonable forecast.

- At this critical time, leadership is needed that is able and willing to develop and implement a plan to engage the University community and rally it around the plan.

The Situation:

Background

The Nova Scotia College of Art and Design University is one of four regional art schools in Canada. Its purpose is to train professional practitioners in art and design through a multi disciplinary, studio based educational experience.

Enrolment

Current enrolment at NSCAD is approximately 821 full time students with another 192 part time. Forty seven per cent (47%) of the student population comes from outside Nova Scotia. Enrolment has remained relatively stable over the last several years.

Financial

NSCAD has an annual budget of $21 million, of which an estimated 64 per cent pays salaries for faculty and staff. This year (fiscal 2011-2012), the total operating and facilities grants from the Province were approximately $11 million or 60 per cent of NSCAD's total revenue. NSCAD is more heavily dependent on provincial funding than any other university in the province. The average for all universities is 30 per cent.

Last year (2010-11), NSCAD forecast a deficit of $1.4 million. For 2011-2012, it is forecasting a deficit of $2.4 million, an increase of $1 million over the previous year. The deficit is the result of costs associated with the Waterfront Campus which opened in 2007, along with increased expenses for salaries, facilities and other items. By NSACD's own estimates this deficit, if not addressed, will grow to $4 million by 2013.

Like all universities in Nova Scotia, NSCAD is also absorbing a four per cent reduction in its annual grant from the Province in the 2011-12 fiscal year. The Province capped tuition increases at three per cent. The net effect of these two changes at NSCAD is a revenue reduction of about $198,000 this year.

The provincial investment in university funding has grown from $212 million in 2004-05 to $348 million in 2010-2011, an increase of 65 per cent over six years. In the same period, the provincial grant to NSCAD went from $5 million to $9 million, an increase of 86 per cent. NSCAD received the second largest percentage funding increase among all Nova Scotian universities.

NSCAD's debt is $19 million, but about $8 million of that is against the Granville Street campus. A contribution from the Province as part of NSCAD's facilities grant services that debt. Nevertheless, for a school of its size, the debt is significant.

NSCAD has an outstanding loan of $8.9 million on the Waterfront Campus. In 2011-12 the annual principal and interest payment on that property totalled $751,000.

NSCAD built its Waterfront Campus to provide facilities for the sculpture, ceramics, design and foundation programs. The Province contributed $4.75 million. NSCAD expected the federal government to match the provincial contribution. Private donations would account for the remainder. Ultimately $2.5 million was raised privately. The project went ahead without securing all the necessary funding commitments and as a consequence, a significant financial burden was added to NSCAD.

Infrastructure

In addition to the Waterfront Campus, NSCAD operates two other sites in Halifax: the Granville Campus and the Academy Building on Brunswick Street. The total space in the three locations is approximately 250,000 square feet. The studio educational model, the multi-disciplinary curriculum, and the three separate locations drive the space requirements. In delivering its programs, the University uses classrooms, lecture space, studios, art galleries, woodwork shops, a sound stage, space for kilns and many other specialized areas. Both the Granville and Academy properties have accessibility issues and other impediments that impact on cost and programming.

The Granville Street and Academy Buildings are historic properties and designated municipal heritage sites. The heritage community is particularly concerned about the future of the Granville streetscape.

There is a right of first refusal on the sale of the Granville buildings. NSCAD has recently completed appraisals of that site as well as the Academy Building.

NSCAD Framework for Sustainability:
Dependent on growth and consolidation

In July 2011, NSCAD presented a draft Sustainability Plan to the government. The proposed plan contained elements related to staffing, facilities and enrolment.

To some extent, NSCAD is addressing staffing issues. Recent contract negotiations extended existing contracts for faculty and technicians through the end of 2012. That agreement also suspends the faculty complement clause for approximately one year, which is significant in that it provides NSCAD flexibility in reducing faculty and related costs.

NSCAD feels constrained by its current facilities and its campus configuration. Senior administration believes that if it could consolidate programs and operations it would have the capacity to increase class sizes and make more efficient use of its teaching complement, increase revenue by attracting and accommodating more students, and create a more unified academic environment for staff and students.

Success of the NSCAD plan rests on three critical elements. Capital to construct the new, consolidated facility would have to be secured and enrolment must increase. The school needs time to make these things happen.

NSCAD proposes that capital funding would come from the three levels of government, the sale of surplus properties and fundraising. The facilities grant now provided by the Province for the Granville Campus might need to be continued in order to meet operating costs for the new facility.

To generate revenue growth, NSCAD believes there is potential to grow enrolment by 40 per cent, to approximately 1,400 students.

Time is needed to negotiate funding agreements with governments, to acquire private donations and to build enrolment through marketing and recruitment initiatives. During this time, the Province would have to commit to continued financial assistance to cover NSCAD's deficits.

Feasibility of the NSCAD plan

A 40 per cent enrolment increase is very ambitious. The typical university aged population in Nova Scotia and much of Canada is actually declining. Most universities, at least in this region, fear declining student numbers in the near future. While NSCAD appears confident in its enrolment estimates, the analysis provided in the O'Neill Report would seem to indicate that, given the smaller university cohort available in Canada, most of the growth would have to come from international students. There are currently // international students enrolled at NSCAD. Recruitment outside Nova Scotia is expensive and recruitment in foreign markets even more so. The other regional arts schools already spend considerable time and money on this activity. NSCAD, on the other hand, has a limited recruitment budget.

The underlying assumption that enrolment will grow is fundamental to the success of NSCAD's sustainability plan. There is insufficient evidence to support this assumption.

NSCAD assumed federal support when it developed the Waterfront Campus in 2007. That support did not materialize. Federal participation in these kinds of projects generally takes significant time to realize and is almost always contingent on provincial participation. The federal government would assess any contribution in light of other funding requests from Nova Scotia and its own funding priorities at the time.

Finally, and perhaps most importantly, the NSCAD plan comes at a time when governments, provincial and federal, are retrenching and looking for ways to save dollars by doing things differently. In Nova Scotia, the provincial government is encouraging the universities to look for new ways to collaborate and create partnerships around curriculum, governance, service delivery, space and other opportunities. Given that five universities and the main Nova Scotia Community College Campus are in the Halifax metropolitan area, government could expect increased utilization of the assets that currently exist, before contributing to new buildings.

At some point, the future of the Granville Campus will need to be addressed. The building lacks adequate access and is inefficient from an operational and educational perspective.

But NSCAD's facilities requirements can only be appropriately defined after enrolment targets have been adequately and fully assessed, programming defined, and opportunities for co-operation with other institutions have been exhausted.

The Report on the University System in Nova Scotia: (The O'Neill Report)

Dr. Tim O'Neill submitted his report on the university system in Nova Scotia to government in September 2010. He called for greater collaboration between universities to help manage the fiscal pressures on government and on the universities themselves. Dr. O'Neill recommended that government deal with those institutions that are facing significant financial risk before a crisis develops. NSCAD was identified as one of those universities in crisis.

Two options for NSCAD were identified in the O'Neill Report:

> Merger with Dalhousie University, or
> Internal restructuring, including reducing program offerings.

Dalhousie University was proposed as a merger candidate with NSCAD owing to the potential synergies between design, engineering, architecture, fine arts and other programs offered by Dalhousie and NSCAD.

As a second option, Dr. O'Neill suggested that NSCAD consider restructuring of the curriculum because of the labour and space intensity of much of NSCAD's programs. In his opinion, reducing the curriculum offering could help relieve costs associated with NSCAD's facilities and labour.

The O'Neill Report included two suggestions that are relevant to all universities in Nova Scotia. First, opportunities for shared services need to be more aggressively pursued in order to reduce or stabilize

costs. Some collaboration already exists through Interuniversity Services Inc., but he suggested more can be done. Second, when considering consolidation or affiliation of universities, one of four conditions must exist:

- Costs are reduced for one of the parties and as a result generate a net benefit.
- The quality of education is improved.
- The consolidation or merger averts the high probability of a crisis.
- It mitigates a recurring problem (eg. revenue volatility, weak management).

The analysis and guidance provided by the O'Neill Report in 2010 continues to be relevant and urgent. Over a year has passed since it was completed and the fiscal situation at NSCAD continues without being addressed.

Collaboration

Collaboration between universities provides a broad range of options, from shared services or programs to outright merger. How far to proceed along the spectrum is dependent on the financial and academic gains to be achieved. Opposition to increased collaboration between schools tends to stem from fear that the identity and independence of one will be subsumed by the other. Nevertheless, there are examples of successful affiliations in Nova Scotia and Canada.

The Way Forward:

NSCAD is a highly valued asset in Nova Scotia. The University also has highly valued assets of its own, including property in the form of real estate and equipment, a unique curriculum, renowned and celebrated faculty, and a national and international reputation for excellence.

Despite those assets, NSCAD has insufficient revenue to cover costs. It needs to increase revenue, reduce costs or both.

Revenue

There are limited opportunities for significant revenue increases. The Province has indicated it cannot continue to simply give the University additional money to cover its deficits. In fact, over the next several years, the Province will be decreasing its grants to all universities, including NSCAD.

NSCAD students currently contribute about $6 million a year in tuition. Even if the current tuition cap was lifted for NSCAD, in order to cover this year's deficit of $2.4 million, tuition would have to increase by around 40 per cent while maintaining the current enrolment. NSCAD's tuition must remain competitive with that of other art schools or enrolment is likely to suffer.

NSCAD argues that the costs of operating its programs are substantially greater than typical courses at other universities and therefore they are underfunded. NSCAD advocates changes to the formula which determines the grant provided to each university by the Province, to give more weight to program costs. The Province is committed to a review of the formula, but each of Nova Scotia's universities has particular concerns. The review and subsequent formula changes may not benefit NSCAD at all. The total university fund is fixed and each university will make strong arguments that favour its situation.

Non tuition student fees for studio time, faculty development or other services, offer another potential revenue source. Given NSCAD's small enrolment, the amount would not be significant but should still be assessed. Fee increases need to be considered, in concert with tuition increases, to cushion students from rapid increases in the cost of their education and to ensure that does not damage NSCAD's competitive position relative to other art schools.

Other potential areas for revenue growth are extended evening and weekend studies programs and alumni donations. NSCAD offers an extensive extended studies program now. It does not yet fully cover costs but the goal is to achieve break even status soon and shortly after, generate a profit. Finally, NSCAD is reaching out to its alumni, and alumni representatives see potential for former students to be more engaged with NSCAD financially and in other ways.

Expenditures

Ultimately, curriculum, faculty and staff, and the configuration of facilities drive operating expenditures at NSCAD. The program is designed to develop trained fine art practitioners. It is a multi disciplinary program that provides students with an extensive appreciation of many art forms from a hands on perspective. As a result, the program is both labour and facilities intensive.

NSCAD has reached agreements with unions to extend existing contracts to December 31, 2012. The unions have accepted a zero per cent increase, and the faculty union has agreed to a one year suspension of the faculty complement clause that dictates the number of faculty on staff. The suspension provides NSCAD with an opportunity to reduce salary costs over the medium and long term, but could also bring short term spending pressure to cover severance or other payments.

The suspension may also afford a good opportunity to review NSCAD's programs. Dr. O'Neill recommended that NSCAD investigate options to reduce its course offerings and consequently reduce costs. NSCAD argues that, as a multi disciplinary arts university, its program offerings are all essential. Most organizations periodically undertake a review of their programs and activities to determine whether they continue to provide value to clients and the organization. Programs are reviewed to determine if they should be altered, refocused, eliminated, or delivered in an alternative fashion.

Complex organizations tend to be very good at adding new programs and activities. They tend to be less adept at examining their existing operations to determine if some can be changed or eliminated.

Successful program reviews require committed leadership, a willingness to entertain new ideas and broad, fair minded involvement across the organization.

Curriculum directly impacts the space requirements. NSCAD moved to the Waterfront Campus from Historic Properties to better accommodate some of its more space intensive programs, such as sculpture and ceramics, and to ensure a safer environment. A program review at NSCAD would afford it the opportunity to evaluate its space requirements for potential economies.

Administrative and Restructuring Opportunities

NSCAD, like other universities in Nova Scotia, participates in collaborative initiatives through Interuniversity Services Inc. and Novanet. These cooperative initiatives save money. Other opportunities exist. The O'Neill Report provides a list of services, including administrative services, that should be explored as candidates for increased cooperation, integration or out sourcing. This list includes services such as IT, human resources management, admissions, registration and general administration.

Over the last several years, many public organizations have struggled to keep their resources focused on their core mission and clients. They have found ways to reduce costs or maintain and enhance service levels through administrative restructuring and collaboration with similar organizations.

There is always resistance to these initiatives from those who believe that savings will not be achieved, costs will not be avoided, or service levels will suffer. It is difficult to address this resistance when organizations do not undertake the analysis that is required to fully explore the potential. Assessing the potential requires organizations to share information with respect to costing, and be prepared to look thoroughly at all alternatives.

Conclusions:

Time to act

NSCAD is in serious financial trouble. Its deficit has grown from $1.4 million to $2.4 million in a year. If unaddressed, the deficit will continue to grow. No single solution will solve this degree of financial stress. The deficit is larger than the total administrative budget and is 11 per cent of the total budget. NSCAD needs to look to outsourcing, shared administrative agreements, curriculum changes, facilities, labour costs and governance. In essence, it needs to examine every aspect of its operation, and be prepared to accept change if it intends to survive.

NSCAD has produced no reasonable plan for ensuring its future and the inability of the University to develop an acceptable plan in a timely fashion, is as serious as the financial situation itself. The situation has been ongoing for several years. It was highlighted in the O'Neill Report in 2010.

The Province made significant financial commitments to NSCAD over the past six years, and provided additional assistance in the past two fiscal years.

The Province has affirmed its commitment to a fine arts education program in Nova Scotia. The NSCAD brand has importance for the Province and the curriculum model is unique and valuable.

Of the four conditions established by Dr. O'Neill to assess whether a merger of institutions makes sense, at least two are currently in play at NSCAD. There is a crisis and there is a recurring problem going back to 2007.

Students, faculty, alumni and the arts and culture community want a role in the future of NSCAD. Their support and openness to change will be required to secure NSCAD's future.

Change does not come easily, and if government wants transformation, it needs to be prepared to use its fiscal and legislative authority to create collaboration or affiliation among the institutions. It needs to be prepared to use incentives and sanctions to create change.

Transformation cannot occur overnight and the Province will need to be prepared to work with NSCAD, but only provided that NSCAD is just as prepared to work with the Province.

There is a place for fine arts education in Nova Scotia as delivered by the NSCAD model. But it must be sustainable and affordable for Nova Scotians.

Recommendations:

A decision by the Province to fund NSCAD's projected $2.4 million deficit must be made relatively soon. Without a positive decision by the Province, NSCAD will find it difficult to accept new applicants for the 2012 fall semester.

On December 8, 2011, NSCAD's Board of Governors unanimously passed two resolutions.

First, the Board committed to investigate additional opportunities for collaborating with other universities as a means of achieving financial sustainability. Second, they committed to provide a plan to government by March 31st, 2012, that would achieve financial stability for the short and long term. The plan would be based on consultation with stakeholders.

Recommendation 1

To support the ongoing operation of NSCAD and the Government's commitment to fine arts education, the Province should provide up to $2.4 million to NSCAD for 2011-12 with conditions.

Recommendation 2

The Province should stipulate that the plan submitted by NSCAD pursuant to the December 8th resolutions of the Board of Governors not include, or depend on, additional capital grants from the Province or any growth in the provincial grant beyond what has already been committed.

Recommendation 3

The Province should stipulate that NSCAD immediately investigate collaborative arrangements with other post-secondary institutions in relation to governance, curriculum, administration, shared services, facilities and any other matter that could contribute to the viability of the University.

Where opportunities for collaboration between the parties will result in net financial gains for either party, or overall improvements in academic performance, they should be implemented.

Opportunities for collaboration can be implemented through a variety of mechanisms ranging from shared services agreements, up to and including, closer affiliation with other institutions.

Recommendation 4

To inform its planning and collaboration with other institutions, the Province should stipulate that NSCAD initiate a review of its programs and curriculum, and a space utilization study of the three NSCAD sites.

Recommendation 5

The Province should appoint a facilitator, reporting to the Deputy Minister of Labour and Advanced Education, to work with NSCAD in the development of collaboration agreements. The facilitator should assist in identifying opportunities for collaboration and ensure that they are rigorously assessed and evaluated. The facilitator should also work with NSCAD to oversee the curriculum review and space utilization study.

Recommendation 6

The Province's future decisions with respect to NSCAD should be dependent on NSCAD's adherence to the intent of the collaboration process and the resolutions adopted by the NSCAD Board of Governors on December 8, 2011.

Recommendation 7

The Province should ensure that the facilitator closely monitors progress on the resolutions of December 8, 2011, approved by the NSCAD University Board of Governors.
The facilitator should provide a monthly progress report to the Deputy Minister of Labour & Advanced Education.

Recommendation 8

The Province should ensure that any collaboration agreements recognize and protect the NSCAD brand and the studio based, multi disciplinary curriculum of NSCAD.